

TOWN OF CANADIAN, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Ralph Osborn  
Certified Public Accountant  
P. O. Box 1015  
500 South Chestnut  
Bristow, Oklahoma 74010-1015

## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees  
Town of Canadian, Oklahoma

I have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Canadian, Oklahoma (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Canadian, Oklahoma as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

### Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

### Other Matters

The Town has omitted Management's Discussion and Analysis and the budgetary comparison for the General Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 2, 2015, on my consideration of Town of Canadian's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering Town of Canadian, Oklahoma's* internal control over financial reporting and compliance.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 2, 2015

TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2013

	<u>Primary Government</u>		
	<u>Business</u>		
	<u>Governmental</u>	<u>Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Current:			
Cash and Cash Equivalents	\$ 28,665	\$ 2,244	\$ 30,909
Internal Balances	78,872	(78,872)	-
Total Current Assets	<u>107,537</u>	<u>(76,628)</u>	<u>30,909</u>
Noncurrent:			
Capital Assets:			
Other Capital Assets Net of			
Accumulated Depreciation	<u>100,103</u>	<u>443,795</u>	<u>543,898</u>
Total Noncurrent Assets	<u>100,103</u>	<u>443,795</u>	<u>543,898</u>
Total Assets	<u>207,640</u>	<u>367,167</u>	<u>574,807</u>
<b>LIABILITIES</b>			
Lease obligations - Current	-	15,759	15,759
Notes payable - Current	<u>4,630</u>	<u>7,163</u>	<u>11,793</u>
Total Current Liabilities	<u>4,630</u>	<u>22,922</u>	<u>27,552</u>
Lease obligations - Noncurrent	-	83,236	83,236
Notes payable - noncurrent	<u>16,826</u>	<u>31,022</u>	<u>47,848</u>
Total Noncurrent Liabilities	<u>16,826</u>	<u>114,258</u>	<u>131,084</u>
Total Liabilities	<u>21,456</u>	<u>137,180</u>	<u>158,636</u>
<b>NET ASSETS</b>			
Capital assets, net of related debt	78,647	306,615	385,262
Unassigned	<u>107,537</u>	<u>(76,628)</u>	<u>30,909</u>
Total Net Assets	<u>\$ 186,184</u>	<u>\$ 229,987</u>	<u>\$ 416,171</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Administration	\$ 74,784	\$ -	\$ 1,735	\$ -	\$ (73,049)
Public safety	26,120	-	-	-	(26,120)
Street and alley	20,123	-	2,125	-	(17,998)
Total governmental activities	<u>121,027</u>	<u>-</u>	<u>3,860</u>	<u>-</u>	<u>(117,167)</u>
Business-type activities					
Utilities	405,689	301,453	-	-	(104,236)
Total business-type activities	<u>405,689</u>	<u>301,453</u>	<u>-</u>	<u>-</u>	<u>(104,236)</u>
Total primary government	<u>\$526,716</u>	<u>\$301,453</u>	<u>\$ 3,860</u>	<u>\$ -</u>	<u>\$ (221,403)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (117,167)	\$ (104,236)	\$ (221,403)
General revenues and transfer			
Taxes:			
Sales and use taxes	100,398	-	100,398
Franchise taxes	5,241	-	5,241
Cigarette taxes	945	-	945
Investment income	26	-	26
Loss on Sale of Asset	(1,250)	-	(1,250)
Other revenue	631	-	631
Total general revenue and transfers	<u>105,991</u>	<u>-</u>	<u>105,991</u>
Change in net assets	(11,176)	(104,236)	(115,412)
Net assets - beginning	<u>197,360</u>	<u>334,223</u>	<u>531,583</u>
Net assets - ending	<u>\$ 186,184</u>	<u>\$ 229,987</u>	<u>\$ 416,171</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 28,665	\$ 28,665
Due from other funds	<u>78,872</u>	<u>78,872</u>
TOTAL ASSETS	<u>\$ 107,537</u>	<u>\$ 107,537</u>
LIABILITIES AND FUND BALANCES		
FUND BALANCES:		
Nonspendable	78,872	78,872
Unassigned	<u>28,665</u>	<u>28,665</u>
TOTAL FUND BALANCES	<u>107,537</u>	107,537
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,537</u>	
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported as assets in governmental funds.		
Capital Assets	160,187	
Accumulated Depreciation	<u>(60,084)</u>	100,103
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:		
Notes payable	<u>(21,456)</u>	<u>(21,456)</u>
Net assets of governmental activities		<u>\$ 186,184</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Total Governmental Funds
Revenue:		
Taxes	\$ 110,444	\$ 110,444
Investment income	26	26
Other revenue	<u>1,131</u>	<u>1,131</u>
Total revenues	<u>111,601</u>	<u>111,601</u>
Expenditures:		
Administration	72,644	72,644
Public Safety	24,002	24,002
Street and Alley	<u>20,123</u>	<u>20,123</u>
Total expenditures	<u>116,769</u>	<u>116,769</u>
Excess of revenues over expenditures	<u>(5,168)</u>	<u>(5,168)</u>
Other financing sources (uses)		
Proceeds from loan	<u>25,100</u>	<u>25,100</u>
Total other financing sources (uses)	<u>25,100</u>	<u>25,100</u>
Net change in fund balance	19,932	19,932
Fund balances, beginning	<u>87,605</u>	<u>87,605</u>
Fund balances, ending	<u><u>\$ 107,537</u></u>	<u><u>\$ 107,537</u></u>

The accompanying notes are an integral part of this financial statement.





TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND  
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,244
Total current assets	<u>2,244</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>443,795</u>
Total non-current assets	<u>443,795</u>
Total assets	<u>446,039</u>
LIABILITIES	
Current liabilities:	
Due to General fund	78,872
Lease obligations payable, current	15,759
Notes payable, current	<u>7,163</u>
Total current liabilities	<u>101,794</u>
Non-current liabilities:	
Lease obligations payable, non current	83,236
Notes payable, non current	<u>31,022</u>
Total non-current liabilities	<u>114,258</u>
Total liabilities	<u>216,052</u>
NET ASSETS	
Capital assets, net of related debt	306,615
Unrestricted	<u>(76,628)</u>
Net assets of business-type activities	<u>\$ 229,987</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Sewer charges	\$ 30,145
Sanitation charges	<u>271,308</u>
Total operating revenues	<u>301,453</u>
<u>OPERATING EXPENSES</u>	
Wages	121,405
Payroll taxes	41,530
Employee benefits	4,844
Fuel	22,687
Insurance	13,819
License	3,523
Maintenance and supplies	76,980
Office and Postage	4,642
Professional fees	3,335
Telephone and Utilities	5,891
Sanitation contractor	32,606
Depreciation	<u>71,364</u>
Total operating expenses	<u>402,626</u>
Net Operating income (loss)	<u>(101,173)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Oklahoma Department of Commerce Grant	22,380
Grant expenses	(22,380)
Interest on notes payable	<u>(3,063)</u>
Total non-operating revenue (expenses)	<u>(3,063)</u>
Change in net assets of business type activities	(104,236)
Total net assets, beginning	<u>334,223</u>
Total net assets, ending	<u><u>\$ 229,987</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 301,453
Cash payments to employees	(167,779)
Cash payments to suppliers for goods and services	<u>(170,039)</u>
Net cash provided (used) by operating activities	<u>(36,365)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from debt	104,179
Oklahoma Department of Commerce Grant	22,380
Grant Expenses	(22,380)
Interest paid on notes payable and lease obligations	(3,063)
Principal paid on notes payable and lease obligations	<u>(69,605)</u>
Net cash used for capital and related financing activities	<u>31,511</u>
Net increase (decrease) in cash and cash equivalents	(4,854)
Cash and cash equivalents, beginning	<u>7,098</u>
Cash and cash equivalents, ending	<u><u>\$ 2,244</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (101,173)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	71,364
Used by Operating Activities:	
Increase (decrease) in due to other funds	<u>(6,556)</u>
Net cash provided (used) by operating activities	<u><u>\$ (36,365)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CANADIAN  
CANADIAN, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Canadian, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The financial statements of the Town have been prepared in conformity with the modified cash basis, which is a change from prior year. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the government are described below.

A.1. FINANCIAL REPORTING ENTITY

Financial Reporting Entity

The accompanying financial statements present the activities of the Town of Canadian. The Town has considered all potential component units for which the Town is financially accountable and other organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Gasb has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Component Units

Component units are legally separate organizations for which the Town is financially accountable as described above. A blended component unit is a separate legal entity that meets the component unit criteria above. In addition, the blended component units provide services that almost exclusively benefit the Town even though they do not provide services directly to the Town. These component units are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component unit is reported separate from Town fund types in the financial statements.

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

BLENDDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB 14 component unit criteria and whose governing body governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Town. The component units' funds are blended into the Town's by appropriate fund type to comprise the primary government presentation. The component unit that is blended into the primary government's fund types of the Town's report is present below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Canadian Public Works Authority (CPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority. Debt issued by the Authority requires 2/3rds approval of the Town Board of Trustees.	CPWA Enterprise Fund

**A.2. BASIS OF PRESENTATION**

*Government-Wide Financial Statements:*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguished governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services with report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions on these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements:*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds

TOWN OF CANADIAN, OKLAHOMA  
CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Fund Types and Major Funds

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Town Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Town Council for review, and public hearings are held to address priorities and allocation of resources. In June, the Town Council adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Town Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. Any budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

"Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits, government bonds, U.S. government notes and securities. Money held by trustee banks for use in retiring bonds is usually held in United States government securities.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements. Under the modified cash basis, prepaids are not reported. The expense is included in the period the liability is paid.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.



TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Sales Tax

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

The sales tax is recorded as revenue within the General Fund, Fire Department and Police Department based upon the following allocation as of June 30, 2013:

- 66.5% recorded in the General Fund
- 22.5% recorded in the Fire Department
- 11% recorded in the Police Department

Property Tax

At the present time, the Town levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$30,909 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$35,713.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 13 months or less.

NOTE C - INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2013 consist of the following:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
Reconciliation to Fund Financial Statements		
Government Funds	\$ 78,872	\$ -
Enterprise Funds	-	78,872
Total	<u>\$ 78,872</u>	<u>\$ 78,872</u>

NOTE D - CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	<u>Notes Payable</u>	<u>Capital Lease Obligation</u>	<u>Total</u>
Balance, July 1, 2012	\$ 44,361	\$ 58,245	\$ 102,606
Additions	25,100	104,179	129,279
Retirements	<u>(9,820)</u>	<u>(61,937)</u>	<u>(71,757)</u>
Balance, June 30, 2013	<u>\$ 59,641</u>	<u>\$ 98,995</u>	<u>\$ 158,636</u>

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE E - LONG TERM DEBT

The Town's long-term debt is segregated between the amounts to be repaid from governmental type funds (General Long-Term Debt) and the amounts to be repaid from proprietary type funds (Enterprise Fund Debt).

General Long-Term Debt

At June 30, 2013, the long-term debt payable from General Fund resources consisted of the following:

The Bank, N.A.

Dated August 3, 2012, in the amount of \$25,100, due in monthly installments of \$492 which includes interest in the amount of 6.5%, maturing on July 31, 2017	\$ 21,456
Total Notes Payable	<u>\$ 21,456</u>
Current Portion	<u>\$ 4,630</u>
Non-Current Portion	<u>16,826</u>
Total Notes Payable	<u>\$ 21,456</u>

Enterprise Fund Long-Term Debt

At June 30, 2013, the long-term debt payable from Enterprise Fund resources consisted of the following:

Berkadia Commercial Mortgage Corporation

due in monthly installments of \$737 which includes interest in the amount of 5%	\$ 44,361
Total Notes Payable	<u>\$ 44,361</u>
Current Portion	<u>\$ 6,176</u>
Non-Current Portion	<u>38,185</u>
Total Notes Payable	<u>\$ 44,361</u>

NOTE F - LEASE OBLIGATIONS

The Authority has entered into a lease agreement as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments.

The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Trash Truck</u>	<u>Total</u>
2014	\$ 22,317	\$ 22,317
2015	22,317	22,317
2016	22,317	22,317
2017	22,317	22,317
2018	<u>16,738</u>	<u>16,738</u>
Total minimum lease payments	106,006	106,006
Less: Amount representing interest	<u>7,011</u>	<u>7,011</u>
Present value of future minimum lease payments	<u>\$ 98,995</u>	<u>\$ 98,995</u>

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE H - CAPITAL ASSETS

Capital asset transactions for the year ended June 30, 2013 Are shown below:

Balance at	Balance at			
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2013</u>
<b>PRIMARY GOVERNMENT:</b>				
<i>Governmental Activities:</i>				
Capital assets:				
Buildings	\$ -	\$ -	\$ -	\$ -
Parks	108,030	-	-	108,030
Other improvements	-	-	-	-
Machinery and equipment	<u>59,157</u>	<u>-</u>	<u>(7,000)</u>	<u>52,157</u>
Total capital assets	<u>167,187</u>	<u>-</u>	<u>(7,000)</u>	<u>160,187</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Parks	(18,179)	(2,701)	-	(20,880)
Other Improvements	-	-	-	-
Machinery and Equipment	<u>(39,253)</u>	<u>(5,201)</u>	<u>5,250</u>	<u>(39,204)</u>
Total Accumulated Depreciation	<u>(46,450)</u>	<u>(7,902)</u>	<u>5,250</u>	<u>(60,084)</u>
Total Governmental activities	<u>\$ 109,755</u>	<u>\$ (10,982)</u>	<u>\$ (1,750)</u>	<u>\$ 100,103</u>
<i>Business-Type Activities:</i>				
Capital assets:				
Buildings	33,400	-	-	33,400
Other Improvements	948,158	-	-	948,158
Machinery and Equipment	<u>341,656</u>	<u>-</u>	<u>-</u>	<u>341,656</u>
Total other capital assets at historical cost	<u>1,323,214</u>	<u>-</u>	<u>-</u>	<u>1,323,214</u>
Less: Accumulated Depreciation				
Buildings	-	-	-	-
Other Improvements	(752,983)	(43,828)	-	(796,811)
Machinery and Equipment	<u>(55,072)</u>	<u>(27,536)</u>	<u>-</u>	<u>(82,608)</u>
Total accumulated depreciation	<u>(808,055)</u>	<u>(71,364)</u>	<u>-</u>	<u>(879,419)</u>
Business-type Activities Capital Assets, Net	<u>\$ 515,159</u>	<u>\$ (71,364)</u>	<u>\$ -</u>	<u>\$ 443,795</u>

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE I - PENSION OBLIGATIONS

The Town participates in one pension plan.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	840	100%
2012	780	100%
2011	1,380	100%

TOWN OF CANADIAN, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE J - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

NOTE K - LITIGATION

Neither the Town or the Authority have any pending claims or lawsuits against them as of June 30, 2013, the outcome of which would result in a material liability or damage claim.

NOTE L - JOINT VENTURE

The Town of Canadian is in a joint venture with two other communities. The Pittsburg County Public Works Authority act as collection agency for sewer and trash and also bills for water services. Amounts collected for these services are given to the Town's Treasurer. The Authority provides these services for one other town and a community close to Eufala Lake.

NOTE L - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through January 2, 2015, the date which financial statements were available. As of June 1, 2014, the Town discontinued sanitation services.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Town Council  
Town of Canadian  
Canadian, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Canadian, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Canadian's basic financial statements and have issued my report thereon dated January 2, 2015, which did not include Management's Discussion and Analysis or a budgetary comparison for the General Fund. The Town's financial statements are presented on a modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Canadian's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Canadian's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Canadian's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-1 that I consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Canadian, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-1.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 2, 2015



TOWN OF CANADIAN, OKLAHOMA  
CANADIAN, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

2013-1: General fund - obligation of future funds

Criteria: Article 10 Section 26 of the Oklahoma Constitution does not allow a Town to have debt exceeding the income and revenue for a particular year without the approval of three-fifths of the voters voting in an election to approve the debt.

Condition: The Town obtained a loan to purchase equipment. The loan is payable in monthly installments through July 2017. This is a loan and not a lease purchase.

Cause: The Council approved the loan in the Town's name instead of the Authority. A loan to the Town requires an election with the approval of three-fifths of the voters voting in the election. A loan to the Authority requires the approval of the Authority Board of Trustees.

Effect: Payments made on the loan violate Article 10 Section 26 of the Oklahoma Constitution. If the payments were made on a loan to the Authority, those payments would comply with Title 60 of Oklahoma Statutes.

Recommendation: The Town should change the note payable to a lease purchase with a clause allowing the Town to evaluate the obligation on a fiscal year basis and choose to appropriate or not appropriate funds based on that evaluation. In the future if purchases should be made from funds acquired by the town using collateral, the town should request a lease purchase option or utilize the public works trust for borrowing long-term.